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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) for Approval of Contracts Resulting From Its 2014 Energy Storage Request for Offers (ES RFO).	Application 15-12-003 (Filed December 1, 2015)
And Related Matter.	Application 15-12-004

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) COMMENTS ON PROPOSED DECISION APPROVING ENERGY STORAGE AGREEMENTS AND PROVIDING GUIDANCE ON CALCULATING ABOVE-MARKET COSTS FOR STORAGE

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Pursuant to Rule 14.3 of the California Public Utilities Commission's ("Commission" or "CPUC") Rules of Practice and Procedure, Southern California Edison Company ("SCE") hereby submits its opening comments on the Proposed Decision of Assigned Administrative Law Judge ("ALJ") Cooke ("Proposed Decision"), dated July 20, 2016.

I.

INTRODUCTION

SCE appreciates the opportunity to comment on the Proposed Decision, and is largely supportive of its findings. SCE is particularly supportive of the Commission's approval of its proposed energy storage agreements and its determination that SCE's energy storage contracts "provide positive contributions to the utility portfolio on a net market value basis . . . ."[1] SCE also strongly supports the Commission's determination that a storage adder, proposed by the

[1] Proposed Decision at 26 (Finding of Fact 1).

Community Choice Aggregators/Direct Access ("CCA/DA") Parties, should not be included in the Power Charge Indifference Adjustment ("PCIA") Market Price Benchmark calculation. The Proposed Decision echoes The Utility Reform Network's ("TURN") position stating "the CCA/DA parties' proposed methodology for calculating the storage adder creates the potential for storage assets to generate cash flows that do not equate to the cost of such asset, which would violate the 'customer indifference' principle by allocating any negative cash flows to bundled customers."[2] SCE agrees that the storage adder would negatively prejudice bundled customers, and should not be included in the Market Price Benchmark.

SCE's brief comments seek to clarify two aspects of the Proposed Decision. First, the Proposed Decision states that it is modifying the Joint Investor-Owned Utility Protocol proposal for a PCIA methodology to determine the above-market stranded cost of energy storage contracts to the IOUs' bundled customers ("Joint IOU Protocol"). SCE explains that the Proposed Decision does not actually modify the Joint IOU Protocol, but rather clarifies the language to ensure charging costs are not double counted in the PCIA calculation. Second, SCE's comments clarify statements in the Proposed Decision concerning Pacific Gas and Electric's ("PG&E") *pro forma* "CPUC Approval" term. These clarifications are described in detail below.

II.

COMMENTS

A. The Joint IOU Protocol Allows All Storage Contract Costs To Be Appropriately Recorded in the PCIA Calculation

The Proposed Decision seeks to modify the Joint IOU Protocol to address a concern that costs associated with charging an energy storage device may be double counted in the PCIA calculation. SCE agrees that explicit charging costs (like any other cost) should only be included

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[2] Proposed Decision at 22.

if they are not accounted for elsewhere in that contract, and if they are not accounted for in another contract's cost within the same portfolio vintage. The intent of the Joint IOU Protocol was to ensure that all costs, namely the "fixed costs of contract, forecasted variable operations and maintenance (O&M) expense, and forecasted cost of 'fuel' (electricity purchased to charge resources),"[3] were appropriately captured in the calculation. The Proposed Decision's assertion that the PCIA's charging costs should only be included if they "have not already been reflected in utility generation costs"[4] in a portfolio vintage is, in SCE's opinion, not a modification to the IOU Protocol, but rather a point of clarification to the language.

The Proposed Decision specifies a scenario where "the utility would have already procured the power to charge the storage resource through a generation contract whose costs are reflected in the Indifference Amount calculation."[5] SCE agrees that this scenario can exist when an energy storage device is integrated with a solar facility (*i.e*. a "hybrid"), for example, where the solar facility's generation charges the storage device. To account for this in the Joint IOU Protocol (as well as in ERRA forecasting), SCE would model the combined solar and energy storage facility as a single resource reflecting the storage device's charging and discharging operations as reductions and additions, respectively, to the stand-alone solar facility's generation profile. This would result in a combined hybrid generation profile that accounts for charging costs as a reduction in solar generation output to the electric grid, but not as a specific "charging cost" line item. Regardless of the energy storage charging scenario, the Joint IOU Protocol allows all storage contract costs to be appropriately recorded in the PCIA calculation.

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3 *See* A.15-12-003, Testimony of Southern California Edison Company in Support of Its Application for Approval of Contracts Resulting from its 2014 Energy Storage RFO, Appendix D (Joint IOU Protocol Proposal on PCIA) at 1, 9.

4 Proposed Decision at 2.

5 *Id.*

B. The Proposed Decision Should Clarify Its Discussion of PG&E's Termination Contract Provision

The Proposed Decision admonishes PG&E concerning its proposed "CPUC Approval" provision, which allows PG&E to terminate its contract if it does not receive a final and non-appealable order of the Commission without conditions or modifications unacceptable to the Parties, including PG&E's "proposed cost recovery treatment."[6] The Proposed Decision states that "unlike PG&E's agreements, SCE's contractual language does not tie the outcome on cost recovery to SCE's willingness to move forward with the contract."[7] The Proposed Decision incorrectly characterizes SCE's *pro forma* "CPUC Approval" provision, and the Proposed Decision should be clarified.

As SCE explained at the prehearing conference ("PHC"), SCE's *pro forma* CPUC Approval provision is tied to cost recovery; however, ***it is not tied to the underlying calculation or mechanics of a particular cost recovery or cost allocation mechanism***. This was in contrast to PG&E's position at the PHC. When PG&E was questioned at the PHC as to why it believed the Joint IOU Protocol had to be addressed at the same time as contract approval, PG&E indicated that if the Commission were to adopt a different cost recovery methodology than the Joint IOU Protocol, it would need to revisit the executed contract with its counterparty.[8] SCE did not share this view.[9]

As SCE explained at the PHC, SCE distinguishes between cost recovery and the underlying mechanics of a particular cost recovery (or cost allocation) mechanism. It is entirely appropriate for a utility to terminate a contract for which it seeks pre-approval if it does not receive ***cost recovery*** for that contract. To require otherwise would amount to a regulatory

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6 Proposed Decision at 23-24.
7 *Id.* at 24.
8 *See* A.15-12-003 et al., PHC Transcript at 36:1-26.
9 It is worth noting that the actual words of PG&E's CPUC Approval provision are similar to SCE's provision. Thus, this is likely a matter of interpretation.

"taking." It is also appropriate for a utility to terminate a contract if it does not receive its requested cost allocation (*e.g.*, if a contract was executed to serve an identified system need, and for some reason, bundled service customers alone were saddled with the costs of the agreement). However, this is distinguishable from a situation where the Commission revises the ***mechanics*** of how the Power Charge Indifference Adjustment is calculated, or how the Cost Allocation Mechanism operates.[10]

SCE asks that the discussion on page 24 of the Proposed Decision be revised to correctly characterize SCE's *pro forma* contract to state, "Unlike PG&E's interpretation of its agreements, SCE does not tie the outcome on the underlying calculation or mechanics of any proposed cost recovery or cost allocation mechanism to SCE's willingness to move forward with the contract."

III.

CONCLUSION

SCE appreciates the opportunity to comment on the Proposed Decision, which should be adopted by the Commission with SCE's recommendations.

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[10] It was unusual that the Joint IOU Protocol was addressed at the same time as contract approval. Normally, changes to the PCIA or CAM would be addressed in a separate venue from contract approval.

Respectfully submitted,

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